

**INDEPENDENT AUDITORS' MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**MARIA L. VARISCO-ROGERS
CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

JUNE 30, 2018

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

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INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of Board of Trustees
Maria L. Varisco-Rogers Charter School
County of Essex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Maria L. Varisco-Rogers Charter School (the "Charter School") in the County of Essex, State of New Jersey for the year ended June 30, 2018, and have issued our report thereon dated February 21, 2019.

As part of our audit, we performed procedures required by the State of New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Charter School Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads 'Leonora Galleros'.

Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400

A handwritten signature in blue ink that reads 'Galleros Koh LLP'.

GALLEROS KOH LLP
Certified Public Accountants

February 21, 2019
Cream Ridge, New Jersey

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Trustees of Maria L. Varisco-Rogers Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Required insurance coverages are carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Jose Segarra	School Business Administrator	\$220,000
Albert Barre	Assistant School Business Administrator	\$220,000

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter School.

Financial Planning, Accounting, and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the designee of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Payroll Account - continued

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2018, for proper classification of purchase orders as reserved for encumbrances or accounts payable.

Travel Policy

A travel policy was adopted by the Board as required by *N.J.A.C. 6A:23A A-6.13* and *N.J.S.A. 18A:11-12*.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23-8.2*. As a result of the procedures performed, a minimal transaction error rate of 1.9% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

We observed that four out of 25 payment samples did not have a signed vendor declaration form.

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Elementary and Secondary Education Act (ESEA) as amended by the Every Student Succeeds Act (ESSA)

The ESEA financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's special projects were approved as listed on Schedules A and B in the CAFR. Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Teachers' Pension Annuity Fund (T.P.A.F.) Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but districts/charter schools/renaissance school projects can print out the DOENET screen for an auditor) filed with the Department of Education for district/charter school/renaissance school project employees who are members of the Teachers Pension and Annuity Fund. We noted no exceptions.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and we noted no exceptions.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$19,000 for 2017-18.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Purchasing Programs - Continued

Contracts and Agreements Requiring Advertisement for Bids - continued

The Charter school board of trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A 18:18A-5.

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The Charter School utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract were reviewed and audited. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exception noted.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Food Service - Continued

Net cash resources did not exceed three months average expenditures.

**NET CASH RESOURCE SCHEDULE
Proprietary Funds - Food Service
FYE 2018**

		Food Service B - 4/5	
<u>Net Cash Resources:</u>			
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 25,379
B-4		Accounts Receivable	64,898
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(42,288)
		Net Cash Resources	<u>\$ 47,989</u> (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	\$ 612,552
B-5		Less Depreciation	(6,021)
		Adj. Tot. Oper. Exp.	<u>\$ 606,531</u> (B)
<u>Average Monthly Operating Expense:</u>			
		B / 10	<u>\$ 60,653</u> (C)
<u>Three times monthly Average:</u>			
		3 X C	<u>\$ 181,959</u> (D)

TOTAL IN BOX A	\$	47,989
LESS TOTAL IN BOX D		(181,959)
NET	\$	(133,970)
From above:		
A is greater than D, cash exceeded 3 X average monthly operating expenses.		

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Food Service - Continued

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education/board of trustees. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications /or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue as well as program and non-program cost of goods sold.

Detailed Revenue and Expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool was provided. No exception was noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

Charter School Enrollment System/Charter School Aid

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low-income students. We also performed a review of the Charter School's procedures related to its completion. We noted no exceptions.

Facilities and Capital Assets

The Charter School has inventory records of assets. No exception was noted in this area.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The Charter School submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g)

Follow-up on Prior Year Finding

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. All other recommendations had been addressed through corrective actions.

Acknowledgment

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of our audit team.

Respectfully submitted,



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 21, 2019
Cream Ridge, New Jersey

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY

MARIA L. VARISCO-ROGERS CHARTER SCHOOL

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (High Rate)	Paid	7,068	7,068	7,068	-	0.33	-
National School Lunch (High Rate)	Reduced	11,666	11,666	11,666	-	2.85	-
National School Lunch (High Rate)	Free	67,960	67,960	67,960	-	3.25	-
	TOTAL	86,694	86,694	86,694			-
National School Lunch	HHFKA - PB Lunch Only	86,694	86,694	86,694	-	0.06	-
School Breakfast (Severe Need Rate)	Paid	3,787	3,787	3,787	-	0.30	-
	Reduced	6,858	6,858	6,858	-	1.79	-
	Free	42,989	42,989	42,989	-	2.09	-
	TOTAL	53,634	53,634	53,634			-
Special Milk	Paid	-	-	-	-	0.20	-
After School Snacks	Paid	-	-	-	-	0.08	-
	Reduced	-	-	-	-	0.44	-
	Free (Area Eligible)	3,578.00	3,578.00	3,578.00	-	0.88	-
	TOTAL	3,578.00	3,578.00	3,578.00			-
CACFP (d) - Food	Free	-	-	-	-	2.98	-
CACFP (d) - Cash-in-lieu of USDA Foods	Free	-	-	-	-	0.2475	-
	Total Net Underclaim (Overclaim)						-

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY

MARIA L. VARISCO-ROGERS CHARTER SCHOOL

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -STATE

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
State Reimbursement - National School Lunch (Regular Rate)	Paid	7,068	7,068	7,068	- \$	0.05	-
State Reimbursement - National School Lunch (Regular Rate)	Reduced	11,666	11,666	11,666	-	0.06	-
State Reimbursement - National School Lunch (Regular Rate)	Free	67,960	67,960	67,960	-	0.06	-
	TOTAL	<u>86,694</u>	<u>86,694</u>	<u>86,694</u>			

Total Net Underclaim (Overclaim)

\$ -

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2017**

Submission to 															
Grades	CHE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors	
Kindergarten	60	60	60	-	190	-	2	2	-	190	-	58	58	-	
First	61	61	61	-	190	-	3	3	-	190	-	53	53	-	
Second	61	61	61	-	190	-	9	9	-	190	-	55	55	-	
Third	64	64	64	-	190	-	6	6	-	190	-	54	54	-	
Fourth	62	62	62	-	190	-	5	5	-	190	-	55	55	-	
Fifth	62	62	62	-	190	-	4	4	-	190	-	55	55	-	
Sixth	61	61	61	-	190	-	5	5	-	190	-	53	53	-	
Seventh	59	59	59	-	190	-	5	5	-	190	-	50	50	-	
Eighth	59	59	59	-	190	-	5	5	-	190	-	54	54	-	
Total	549	549	549	-	-	-	44	44	-	-	-	487	487	-	
Percentage				0.0%		0.0%			0.0%		0.0%			0.0%	

MARIA L. VARISCO-ROGERS CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2018

Submission to 															
Grades	CHE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors	
Kindergarten	59	59	59	-	190	-	2	2	-	190	-	57	57	-	
First	61	61	61	-	190	-	3	3	-	190	-	53	53	-	
Second	61	61	61	-	190	-	9	9	-	190	-	55	55	-	
Third	64	64	64	-	190	-	6	6	-	190	-	54	54	-	
Fourth	62	62	62	-	190	-	5	5	-	190	-	55	55	-	
Fifth	61	61	61	-	190	-	4	4	-	190	-	54	54	-	
Sixth	60	60	60	-	190	-	5	5	-	190	-	52	52	-	
Seventh	60	60	60	-	190	-	5	5	-	190	-	50	50	-	
Eighth	59	59	59	-	190	-	5	5	-	190	-	54	54	-	
Total	547	547	547	-	-	-	44	44	-	-	-	484	484	-	
Percentage				0.0%		0.0%			0.0%		0.0%			0.0%	

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2018

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>10,282,323</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ - (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ - (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>1,223,124</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>9,059,199</u> (B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$ <u>181,184</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u> (B5)
Increased by: Allowable Adjustment *	\$ _____ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>250,000</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2018 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,674,877</u> (C)
Decreased by:	
Year-end Encumbrances	\$ _____ - (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ _____ - (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ - (C3)
Other Restricted Fund Balances ****	\$ _____ - (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$ _____ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>1,674,877</u> (U1)
Excess Surplus at June 30, 2018	\$ <u>1,424,877</u>

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ _____ - (E)
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Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ - (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ - (E)
Total Excess Surplus [(C3) + (E)]	\$ _____ - (D)

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

N/A.

VII. Charter School Enrollment System (CHE)

There are none.

VIII. Pupil Transportation

N/A.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Year Findings

The prior year recommendation had been addressed through corrective actions.